

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2013**

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
DECEMBER 31, 2013
TABLE OF CONTENTS**

		<u>Page</u>
	Independent Auditor's Report	1 – 2
	Management's Discussion and Analysis	3 – 15
	Basic Financial Statements	
<u>Statement</u>	Government-Wide Financial Statements:	
1	Statement of Net Position	16
2	Statement of Activities and Changes in Net Position	17
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	18
4	Reconciliation of Governmental Funds Balance Sheets to the Statement of Net Position	19
5	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
6	Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	21
7	Statement of Fiduciary Net Position	22
	Notes to Financial Statements	23 – 45
	Required Supplemental Information	
<u>Schedule</u>		
1	Schedule of Revenues and Expenditures Compared to Budget - General Fund	46
2	Schedule of Revenues and Expenditures Compared to Budget - Highway Fund	47
3	Schedule of Revenues and Expenditures Compared to Budget - Water Fund	48
4	Schedule of Revenues and Expenditures Compared to Budget - Sewer Fund	49
5	Schedule of Funding Progress for the Retiree Health Plan	50

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
DECEMBER 31, 2013
TABLE OF CONTENTS**

	Other Supplementary Information	
<u>Schedule</u>		
6	Non-Major Governmental Funds Combining Balance Sheets	51
7	Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52
8	Investment in Capital Assets, Net of Related Debt	53
9	Statement of Indebtedness	54
	Report on Federal Awards	
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	55-56
	Internal Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	57-58
	Schedule of Expenditures of Federal Awards	59
	Notes to Schedule of Expenditures of Federal Awards	60
	Schedule of Findings and Questioned Costs	61-63



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA

Patrick M. Bullis, CPA
Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Maureen K. Lyon, CPA
Justin B. Wood, CPA

INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Members
of the Town Board
Town of New Windsor
New Windsor, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of New Windsor, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of New Windsor, as of December 31, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Windsor's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Town of New Windsor's internal control over financial reporting and compliance.

Nugent & Haussler, P.C.

May 19, 2014

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

The following is a discussion and analysis of the Town of New Windsor's financial performance for the year ended December 31, 2013. The Town of New Windsor discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This section is a summary of the Town's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

HIGHLIGHTS

Financial Highlights:

- The assets of the Town of New Windsor exceeded its liabilities at the close of the 2013 year by \$40,886,333
- As of the close of the current year, the Town of New Windsor's governmental funds reported combined ending fund balances of \$19,108,203 an increase of \$2,171,352 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$5,352,325 at 36.80% of the total General Fund expenditures.
- The Town of New Windsor's total outstanding debt decreased by \$795,302(7.45%) during the current year.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD & A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide* financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The fund financial statements concentrate on the Town's most significant funds.
- The *government fund statements* tell how basic services such as water and sewer were financed in the short term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Town's budget for the year.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town's activities they cover and the types of information they contain. The remainder of this overview section of MD & A highlights the structure and contents of each of the statements.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Figure A-1 Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as general support, police protection, building code enforcement, planning and zoning, and various other services	Instances in which the Town administrators resources on behalf of someone else, such as bid deposits, engineering fees, and street opening deposits
Required financial statements	<ul style="list-style-type: none"> · Statement of net position · Statement of activities 	<ul style="list-style-type: none"> · Balance Sheet · Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> · Statement of Fiduciary Net Position · Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital asset or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it changed. Net position, the difference between the Town's assets and liabilities, are one way to measure the Town's financial health or position.

- Over time, increases or decreases in the Town's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Town's overall health, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of facilities and infrastructures.

In the government-wide financial statements, the Town's activities are shown as governmental activities. Most of the Town's basic services are included here, such as water and sewer services (home and community services), road maintenance (transportation), and administration (general governmental support). Property taxes and charges for services finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds - not the Town as a whole. Funds are accounting devices the Town uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The Town establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

The Town has two kinds of funds:

- **Governmental Funds:** Most of the Town's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciling statements (Statement 4 and Statement 6) have been added to explain the relationship (or differences) between them.
- **Fiduciary Funds-Agency Funds:** The Town acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Town excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net position at the year end is \$40,886,333. This is a \$2,709,430 decrease over last year's net position of \$43,595,763. The following table provides a summary of the Town's net position:

Figure A-2

<i>Condensed Statement of Net Position</i>			Total Dollar Change
	2013	2012	2013 -2012
Current Assets	\$ 23,255,301	\$ 19,171,849	\$ 4,083,452
Capital Assets	46,224,206	50,222,470	(3,998,264)
Total Assets	69,479,507	69,394,319	85,188
Long-Term Debt Outstanding	24,334,775	23,441,127	893,648
Other Liabilities	4,258,399	2,357,429	1,900,970
Total Liabilities	28,593,174	25,798,556	2,794,618
Investment in Capital Assets, Net of Debt	36,349,767	39,827,798	(3,478,031)
Restricted	12,397,525	11,775,208	622,317
Unassigned	(7,860,959)	(8,007,245)	146,286
Total Net Position	\$ 40,886,333	\$ 43,595,763	\$ (2,709,430)

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

The schedule below and the following pages and supporting graphs provide a summary of revenues, expenses and changes in net position for the years ended December 31, 2013 and 2012:

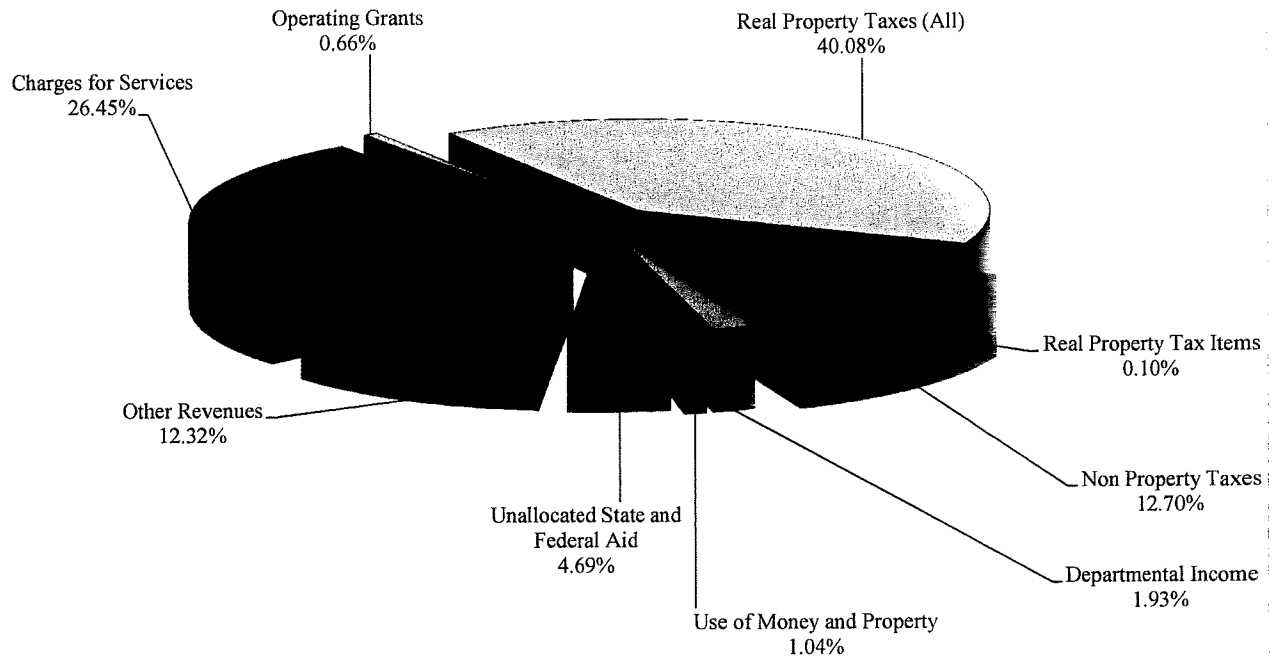
Figure A-3

	<u>2013</u> <u>Amount</u>	<u>%</u>	<u>2012</u> <u>Amount</u>	<u>%</u>
REVENUES (Chart Figure A-4)				
PROGRAM REVENUES				
Charges for Services	\$ 9,143,319	26.45%	\$ 8,850,716	29.04%
Operating Grants	229,020	0.66%	237,703	0.78%
GENERAL REVENUES				
Real Property Taxes	13,849,725	40.08%	13,732,237	45.05%
Real Property Tax Items	35,500	0.10%	31,000	0.10%
Non Property Taxes	4,389,253	12.70%	4,289,965	14.07%
Departmental Income	668,215	1.93%	462,814	1.52%
Use of Money and Property	360,544	1.04%	334,823	1.10%
Unallocated State and Federal Aid	1,619,328	4.69%	1,741,552	5.71%
Other Revenues	4,258,156	12.32%	801,930	2.63%
TOTAL REVENUES	<u>34,553,060</u>	<u>100.00%</u>	<u>30,482,740</u>	<u>100.00%</u>
EXPENDITURES (Chart Figure A-5)				
General Government	3,149,163	8.46%	2,945,065	8.50%
Public Safety	5,414,008	14.53%	5,384,745	15.54%
Health	369,697	0.99%	370,859	1.07%
Transportation	1,679,159	4.51%	1,995,675	5.76%
Economic Assistance and Opportunity	47,936	0.13%	41,181	0.12%
Culture and Recreation	434,273	1.17%	587,816	1.70%
Home and Community Services	9,414,474	25.27%	7,755,574	22.39%
Interest on Debt	412,764	1.11%	540,579	1.56%
Employee Benefits	8,761,078	23.51%	7,554,224	21.80%
Depreciation	7,579,937	20.34%	7,469,699	21.56%
TOTAL EXPENDITURES	<u>37,262,490</u>	<u>100.00%</u>	<u>34,645,417</u>	<u>100.00%</u>
CHANGE IN NET POSITION	<u>\$ (2,709,430)</u>		<u>\$ (4,162,677)</u>	

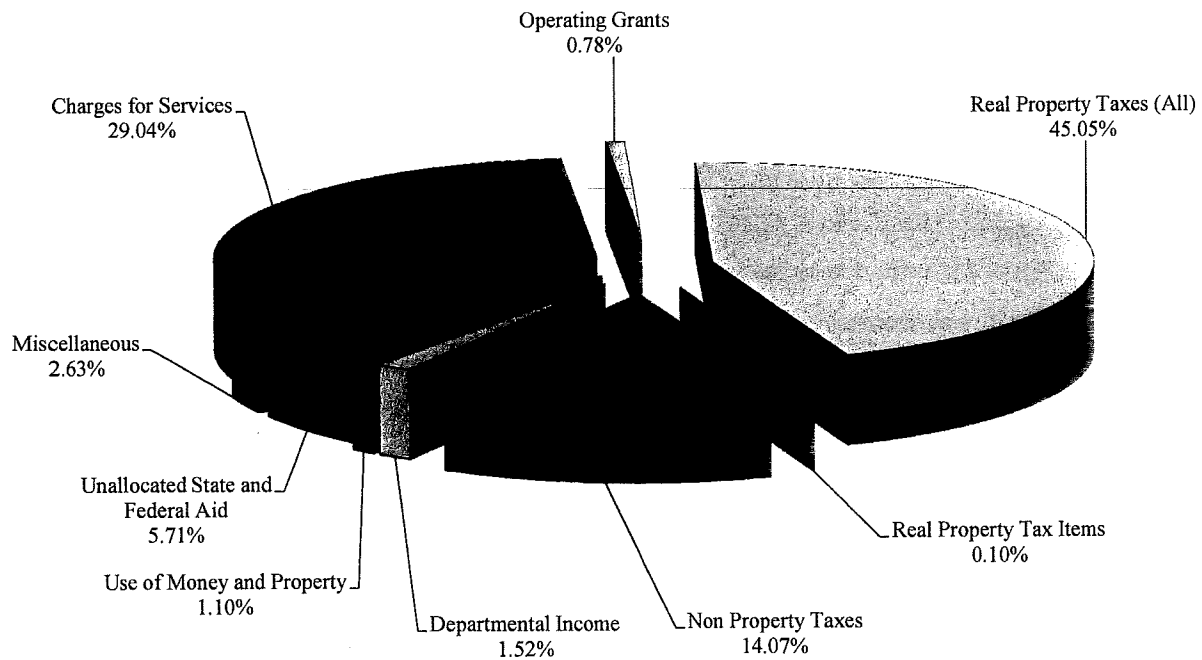
**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Figure A-4

SOURCES OF REVENUES FOR YEAR 2013

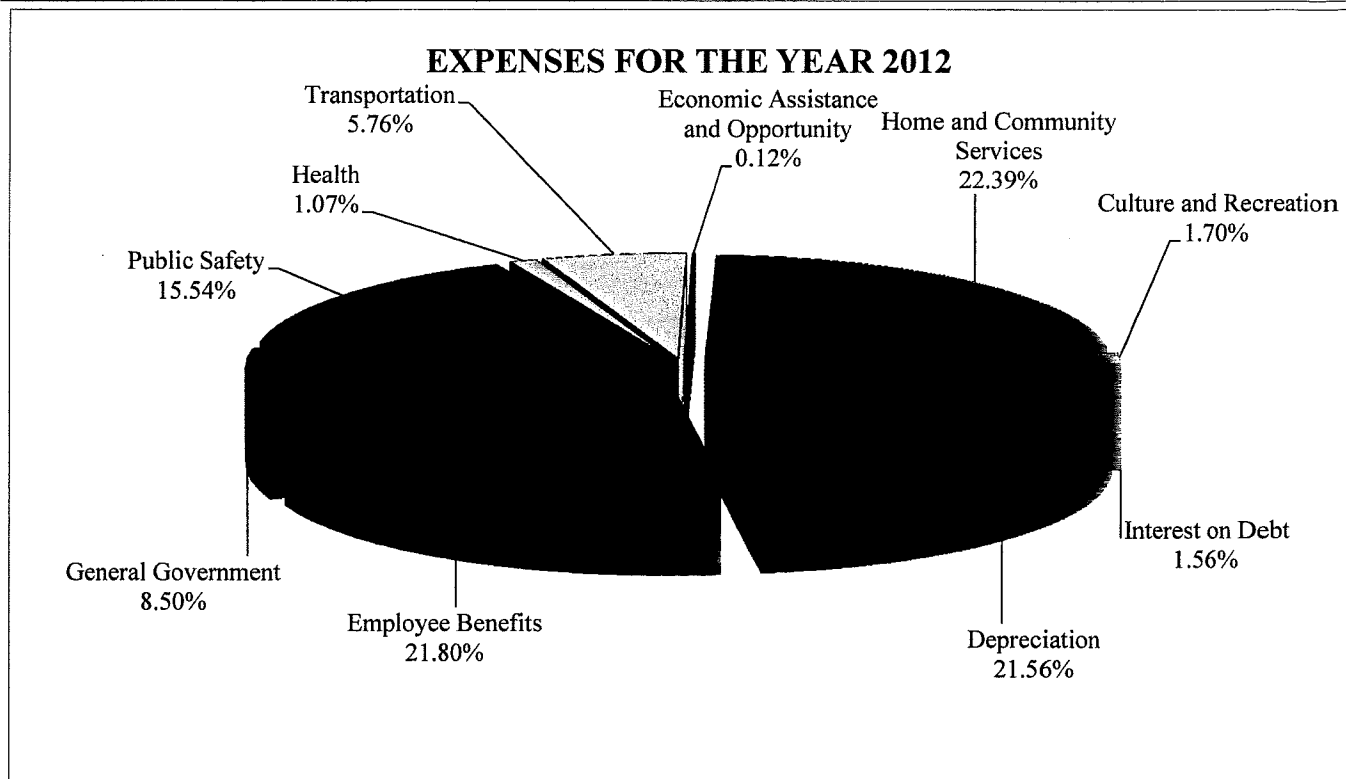
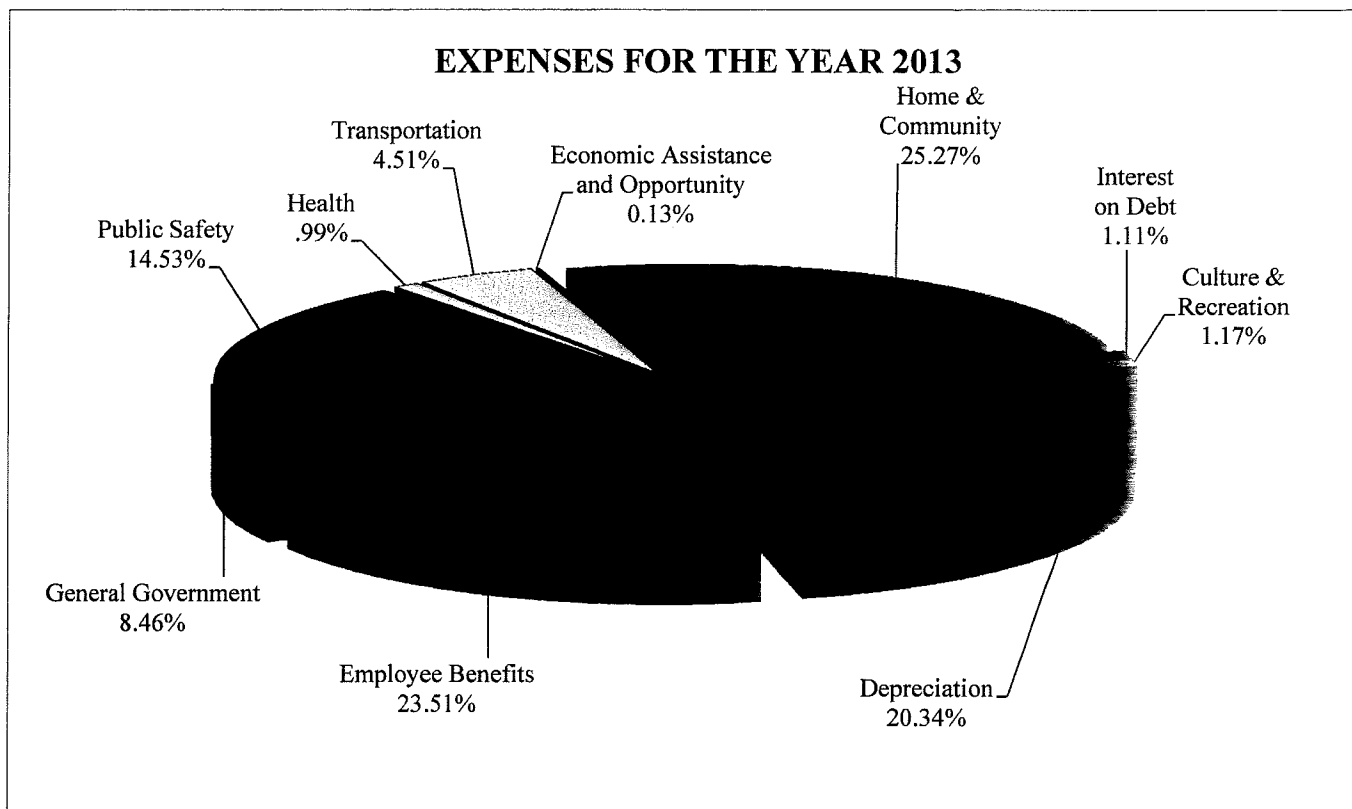


SOURCES OF REVENUES FOR YEAR 2012



**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Figure A-5

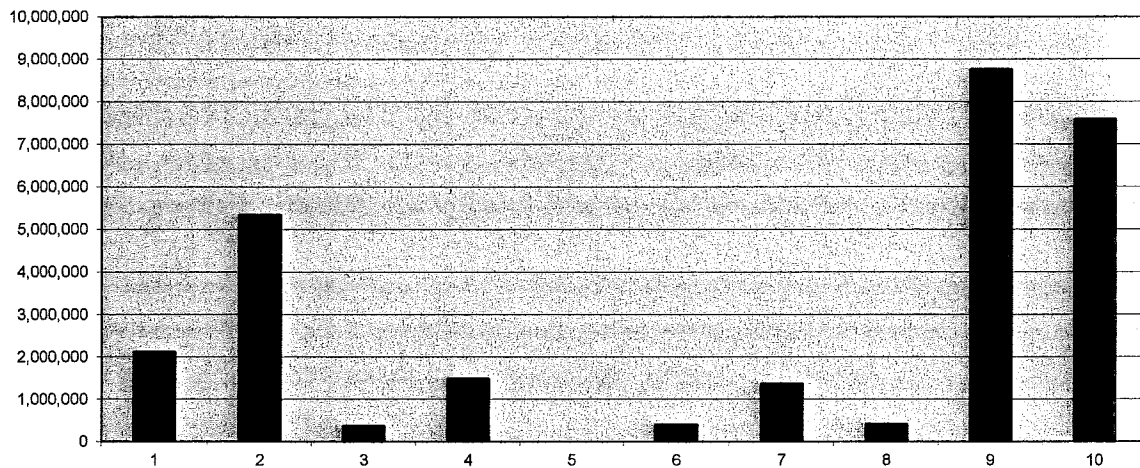


**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

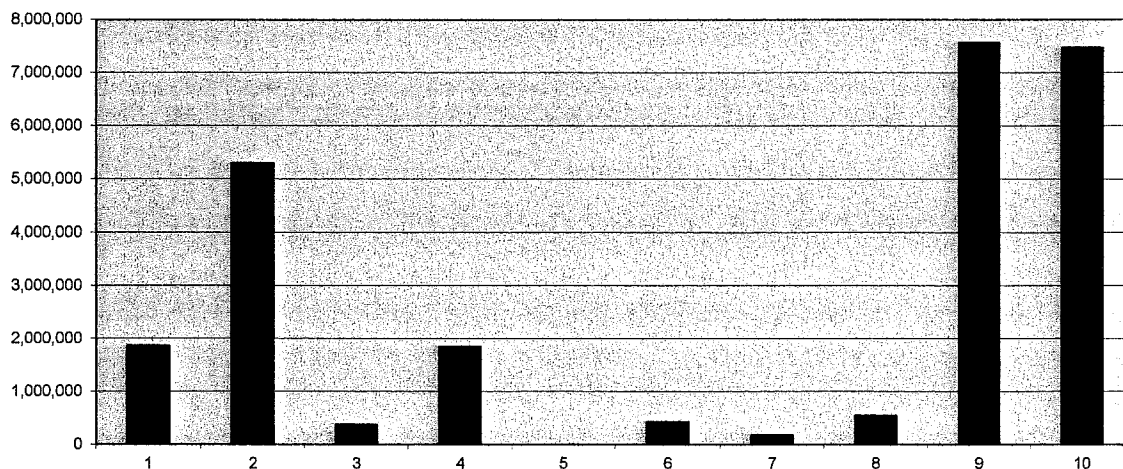
Figure A-6

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
1 General Government	\$ 3,149,163	\$ 2,122,508	\$ 2,945,064	\$ 1,856,846
2 Public Safety	5,414,008	5,344,099	5,384,745	5,294,615
3 Health	369,697	369,697	370,859	370,859
4 Transportation	1,679,159	1,487,099	1,995,675	1,840,182
5 Economic Assistance and Opportunity	47,936	47,936	41,181	41,181
6 Culture and Recreation	434,273	397,313	587,816	418,487
7 Home and Community Services	9,414,474	1,367,719	7,755,574	170,325
8 Interest on Debt	412,764	412,764	540,579	540,579
9 Employee Benefits	8,761,078	8,761,078	7,554,224	7,554,224
10 Depreciation	7,579,937	7,579,937	7,469,700	7,469,700
Total Costs	\$ 37,262,490	\$ 27,890,151	\$ 34,645,417	\$ 25,556,998

NET COSTS 2013



NET COSTS 2012



**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Figure A-6 (Continued)

Total costs of services provided by the Town (Figure A-6) for the years ended December 31, 2013 and 2012 were \$37,262,490 and \$34,645,417, respectively. These charges in 2013 were offset by grants and contributions of \$229,020 and charges for services of \$9,143,319, resulting in net cost of services of \$27,890,151. This is a \$2,333,153 increase over last year's net costs of \$25,556,998.

The Town's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the Town consist of the General Fund, Highway Fund, Water Fund, Sewer Fund, Capital Fund, Debt Service Fund, and Non-Major Funds. The total fund balances allocated between restricted, assigned, and unassigned fund balance for each of these funds is as follows:

Figure A-7

December 31, 2013			
	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 0	\$ 5,352,325
Highway Fund	823,952	0	0
Water Fund	4,653,167	0	0
Sewer Fund	3,878,315	0	0
Capital Fund	0	415,081	0
Debt Service Fund	3,042,091	100	0
Non-Major Funds	0	943,172	0
Total	<u>\$ 12,397,525</u>	<u>\$ 1,358,353</u>	<u>\$ 5,352,325</u>

December 31, 2012			
	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 0	\$ 2,495,987
Highway Fund	1,461,340	0	0
Water Fund	3,576,110	0	0
Sewer Fund	3,708,575	0	0
Capital Fund	0	1,565,843	0
Debt Service Fund	3,029,183	100	0
Non-Major Funds	0	1,099,714	0
Total	<u>\$ 11,775,208</u>	<u>\$ 2,665,657</u>	<u>\$ 2,495,987</u>

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town revised the General Fund budgets to reflect additional changes in budgeted revenues and expenditures. Actual revenues were more than revised budget estimates by \$4,252,408 and actual expenditures were more than budgeted expenditures by \$1,396,070. Figure A-8 summarizes the General Funds original and revised budgets, actual revenues and expenditures and the variances for the year ended December 31, 2013.

Figure A-8

Condensed Budgetary Comparison General Fund 2013	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 6,695,936	\$ 6,695,936	\$ 6,700,437	\$ 4,501
Non Property Taxes	4,318,100	4,318,100	4,389,253	71,153
State and Federal Aid	672,200	672,200	843,193	170,993
All Other	2,664,000	2,664,000	6,672,570	4,008,570
Total Revenues	14,350,236	14,350,236	18,605,453	4,255,217
OTHER SOURCES				
Operating Transfers In	353,500	353,500	350,691	(2,809)
Total Revenues and Other Sources	\$ 14,703,736	\$ 14,703,736	\$ 18,956,144	\$ 4,252,408
EXPENDITURES				
General Government Support	\$ 3,516,501	\$ 3,587,400	\$ 3,817,100	\$ (229,700)
Public Safety	5,436,600	5,551,807	5,551,792	15
Transportation	287,400	299,068	299,068	0
Economic Assistance and Opportunity	61,800	47,938	47,936	2
Culture & Recreation	609,500	632,843	431,034	201,809
Home & Community Service	305,900	268,603	346,599	(77,996)
Employee Benefits	3,970,100	3,800,141	4,049,718	(249,577)
Total Expenditures	\$ 14,187,801	\$ 14,187,800	\$ 14,543,247	\$ (355,447)
OTHER USES				
Operating Transfers Out	515,935	515,936	1,556,559	(1,040,623)
Total Expenditures and Other Uses	\$ 14,703,736	\$ 14,703,736	\$ 16,099,806	\$ (1,396,070)

The New York State Legislature enacted legislation, Chapter 97 of the Laws of 2011 that establishes a "property tax cap" or more appropriately "voter approval threshold" on the amount a Town's property tax levy can increase each year. This new legislation specifies that property taxes levied by a town generally cannot increase by more than two percent, or the rate of inflation, whichever is less. This legislation was in effect for the 2013 year.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

CAPITAL ASSETS

The Town records expenditures for land, buildings, equipment, machinery and infrastructures (roads, water and sewer systems) as capital assets in the Statement of Net Position. Annual depreciation expense is recorded in the Statement of Activities to reflect the use of these assets over their useful lives. Land and construction in progress are not subject to depreciation. The Town's depreciation methods, assumptions regarding useful lives and capitalization thresholds are described in the current year's Notes to the Financial Statements.

Under the implementation standards of GASB 34, the Town is considered a small government, and as such is required only to recognize infrastructures on a prospective (going forward) basis. The Town has maintained detailed, separate records of infrastructure additions since 2003. The Town has elected to include infrastructure additions since 2003 in the capital assets section of the Statement of Net Position, as management believes their inclusion provides the reader with a more complete accounting of the Town's investment in capital resources.

In 2013, the Town expended \$3,581,673 on capital additions. Figure A-9 reflects the changes in net capital assets.

Figure A-9

Changes in Net Capital Assets	Governmental Activities		Total Dollar Change
	2013	2012	2013 - 2012
Land/Construction in Progress	\$ 4,397,691	\$ 4,734,606	\$ (336,915)
Buildings	9,797,464	8,112,388	1,685,076
Machinery and Equipment	1,806,248	1,304,211	502,037
Infrastructure	30,222,803	36,071,265	(5,848,462)
Totals	\$ 46,224,206	\$ 50,222,470	\$ (3,998,264)

Major Additions included in 2013:

Buildings	\$ 1,163,187
Machinery and Equipment	948,209
Infrastructure	1,470,277
Total	<u><u>\$ 3,581,673</u></u>

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

DEBT ADMINISTRATION

Long Term Debt, decreased by \$2,095,302 during 2013. The Town's long term debt at the end of the year was \$8,574,439 as compared to \$10,669,741 at the end of last year.

The Town's liability for compensated absences increased by \$171,619 during 2013.

Under the implementation standards of GASB 45, the Town was required to recognize \$13,935,972 as other postemployment benefits obligation at year end.

Detailed information regarding the Town's long-term liabilities is presented in more detail in the current year's notes to the financial statements. Figure A-10 reflects the changes for 2013.

Figure A-10

Long-Term Liabilities	Governmental Activities		Total Dollar Change
	2013	2012	2013 - 2012
Serial Bonds	\$ 7,128,605	\$ 9,423,927	\$ (2,295,322)
Installment Loans	1,445,834	1,245,814	200,020
Other Postemployment Benefits	13,935,972	11,118,642	2,817,330
Compensated Absences	1,824,364	1,652,745	171,619
Totals	\$ 24,334,775	\$ 23,441,128	\$ 893,647

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, contact Jack Finnegan Town Comptroller, Town of New Windsor, 555 Union Avenue, New Windsor, New York, 12553.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2013**

ASSETS

Cash and Cash Equivalents	\$ 20,547,023
Accounts Receivable	2,643,057
State and Federal Aid Receivable	65,221
Capital Assets, Net	<u>46,224,206</u>
Total Assets	<u>69,479,507</u>

LIABILITIES

Current Liabilities:

Accounts Payable	1,224,522
Bond Anticipation Notes Payable	1,300,000
Due to Employees' Retirement System	1,622,574
Accrued Interest Payable	111,303

Long-Term Liabilities:

Due and Payable Within One Year:

Bonds Payable	1,115,564
Installment Loans	621,794

Due and Payable More Than One Year:

Bonds Payable	6,013,041
Installment Loans	824,040
Other Postemployment Benefits	13,935,972
Compensated Absences	<u>1,824,364</u>

Total Liabilities	<u>28,593,174</u>
-------------------	-------------------

NET POSITION

Investment in Capital Assets, Net of Related Debt	36,349,767
Restricted	12,397,525
Unassigned	<u>(7,860,959)</u>
Total Net Position	<u>\$ 40,886,333</u>

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Revenue			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ (6,140,244)	\$ 1,026,655	\$ 0	\$ (5,113,589)
Public Safety	(13,771,644)	69,909	0	(13,701,735)
Health	(369,697)	0	0	(369,697)
Transportation	(3,770,757)	0	192,060	(3,578,697)
Economic Assistance and Opportunity	(47,936)	0	0	(47,936)
Culture and Recreation	(742,648)	0	36,960	(705,688)
Home and Community Services	(12,006,800)	8,046,755	0	(3,960,045)
Interest on Debt	(412,764)	0	0	(412,764)
Total Primary Government	\$ (37,262,490)	\$ 9,143,319	\$ 229,020	(27,890,151)

GENERAL REVENUES

Real Property Taxes	13,849,725
Real Property Tax Items	35,500
Non Property Taxes	4,389,253
Departmental Income	668,215
Use of Money and Property	360,544
Intergovernmental Charges	98,428
Unallocated State and Federal Aid	1,619,328
Sale of Property and Compensation for Loss	3,882,918
Miscellaneous	138,901
Total General Revenues	25,180,721

Change in Net Position

(2,709,430)

Net Position - Beginning (As Restated)

43,595,763

Net Position - Ending

\$ 40,886,333

See notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Highway	Water	Sewer	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 6,182,310	\$ 1,056,977	\$ 3,803,359	\$ 3,769,128	\$ 3,066,950	\$ 101	\$ 1,043,196	\$ 18,922,021
Cash in Special Reserves	0	0	0	0	1,625,000	0	0	1,625,000
Accounts Receivable, Net	1,144,356	1,064	1,196,654	246,364	0	0	54,619	2,643,057
Due from Other Funds	0	0	0	0	1,622,891	4,664,981	0	6,287,872
State and Federal Aid Receivable	0	0	0	0	65,221	0	0	65,221
Total Assets	\$ 7,326,666	\$ 1,058,041	\$ 5,000,013	\$ 4,015,492	\$ 6,380,062	\$ 4,665,082	\$ 1,097,815	\$ 29,543,171
LIABILITIES								
Accounts Payable	\$ 710,574	\$ 68,215	\$ 246,397	\$ 137,177	\$ 0	\$ 0	\$ 62,159	\$ 1,224,522
Due to Other Funds	0	0	0	0	4,664,981	1,622,891	0	6,287,872
Due to Employees' Retirement System	1,263,767	165,874	100,449	0	0	0	92,484	1,622,574
Bond Anticipation Notes Payable	0	0	0	0	1,300,000	0	0	1,300,000
Total Liabilities	1,974,341	234,089	346,846	137,177	5,964,981	1,622,891	154,643	10,434,968
FUND BALANCES								
Restricted	0	823,952	4,653,167	3,878,315	0	3,042,091	0	12,397,525
Assigned	0	0	0	0	415,081	100	943,172	1,358,353
Unassigned	5,352,325	0	0	0	0	0	0	5,352,325
Total Fund Balances	5,352,325	823,952	4,653,167	3,878,315	415,081	3,042,191	943,172	19,108,203
Total Liabilities and Fund Balances	\$ 7,326,666	\$ 1,058,041	\$ 5,000,013	\$ 4,015,492	\$ 6,380,062	\$ 4,665,082	\$ 1,097,815	\$ 29,543,171

See notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEETS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 18,922,021	\$ 0	\$ 0	\$ 18,922,023
Restricted Cash	1,625,000	0	0	1,625,000
State & Federal Aid Receivable	65,221	0	0	65,221
Due from Other Funds	6,287,872	0	(6,287,872)	0
Accounts Receivable, Net	2,643,057	0	0	2,643,057
Capital Assets, Net	0	46,224,206	0	46,224,206
Total Assets	<u>\$ 29,543,171</u>	<u>\$ 46,224,206</u>	<u>\$ (6,287,872)</u>	<u>\$ 69,479,507</u>
LIABILITIES				
Accounts Payable	\$ 1,224,522	\$ 0	\$ 0	\$ 1,224,522
Accrued Liabilities	0	111,303	0	111,303
Bond Anticipation Notes Payable	1,300,000	0	0	1,300,000
Bonds Payable	0	7,128,605	0	7,128,605
Installment Loans Payable	0	1,445,834	0	1,445,834
Due to Other Funds	6,287,872	0	(6,287,872)	0
Due to Employees' Retirement System	1,622,574	0	0	1,622,574
Other Postemployment Benefits	0	13,935,972	0	13,935,972
Compensated Absences	0	1,824,364	0	1,824,364
Total Liabilities	<u>10,434,968</u>	<u>24,446,078</u>	<u>(6,287,872)</u>	<u>28,593,174</u>
Total Fund Balances/Net Position	<u>19,108,203</u>	<u>21,778,128</u>	<u>0</u>	<u>40,886,333</u>
Total Liabilities and Fund Balances	<u>\$ 29,543,171</u>	<u>\$ 46,224,206</u>	<u>\$ (6,287,872)</u>	<u>\$ 69,479,507</u>

See notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Highway	Water	Sewer	Capital Projects	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
REVENUES								
Real Property Taxes	\$ 6,664,936	\$ 3,605,479	\$ 1,217,160	\$ 221,273	\$ 0	\$ 0	\$ 2,140,877	\$ 13,849,725
Real Property Tax Items	35,500	0	0	0	0	0	0	35,500
Non Property Tax Items	4,389,253	0	0	0	0	0	0	4,389,253
Departmental Income	876,931	0	5,398,646	2,283,881	0	0	236,556	8,796,014
Intergovernmental Charges	0	13,959	0	84,469	0	0	0	98,428
Use of Money and Property	329,025	6,569	3,691	4,638	0	12,907	3,714	360,544
Licenses and Permits	274,533	0	0	0	0	0	0	274,533
Fines and Forfeitures	878,896	0	0	0	0	0	0	878,896
Sale of Property and								
Compensation for Loss	3,721,535	42,617	18,046	100,598	0	0	122	3,882,918
Miscellaneous	127,342	5,680	3,423	900	1	0	1,555	138,901
Interfund Revenues	464,309	140,650	0	0	0	0	0	604,959
State and Federal Aid	843,193	192,903	72,669	371,215	368,368	0	0	1,848,348
Total Revenues	18,605,453	4,007,857	6,713,635	3,066,974	368,369	12,907	2,382,824	35,158,019
EXPENDITURES								
General Government Support	3,817,100	0	0	0	0	0	0	3,817,100
Public Safety	5,551,792	0	0	0	0	0	0	5,551,792
Health	0	0	0	0	0	0	369,697	369,697
Transportation	299,068	2,415,411	0	0	807,815	0	0	3,522,294
Economic Assistance and Opportunity	47,936	0	0	0	0	0	0	47,936
Culture and Recreation	431,034	0	0	0	0	0	0	431,034
Home and Community Service	346,599	0	4,389,385	2,391,610	2,141,127	0	1,515,148	10,783,869
Employee Benefits	4,049,718	956,306	418,399	0	0	0	519,325	5,943,748
Debt Service	0	0	0	0	0	3,327,012	0	3,327,012
Total Expenditures	14,543,247	3,371,717	4,807,784	2,391,610	2,948,942	3,327,012	2,404,170	33,794,482
OTHER FINANCING SOURCES (USES)								
Proceeds from Obligations	0	0	0	0	807,815	0	0	807,815
Operating Transfers In	350,691	270,411	756,715	106,337	3,043,702	3,327,012	0	7,854,868
Operating Transfers Out	(1,556,559)	(1,543,939)	(1,585,509)	(611,960)	(2,421,706)	0	(135,195)	(7,854,868)
Total Financing Sources and (Uses)	(1,205,868)	(1,273,528)	(828,794)	(505,623)	1,429,811	3,327,012	(135,195)	807,815
Net Change in Fund Balances	2,856,338	(637,388)	1,077,057	169,741	(1,150,762)	12,907	(156,541)	2,171,352
Fund Balances-Beginning	2,495,987	1,461,340	3,576,110	3,708,574	1,565,843	3,029,284	1,099,713	16,936,851
Fund Balances-Ending	\$ 5,352,325	\$ 823,952	\$ 4,653,167	\$ 3,878,315	\$ 415,081	\$ 3,042,191	\$ 943,172	\$ 19,108,203

See notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
REVENUES						
Real Property Taxes	\$ 13,849,725	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,849,725
Real Property Tax Items	35,500	0	0	0	0	35,500
Non Property Tax Items	4,389,253	0	0	0	0	4,389,253
Departmental Income	8,796,014	0	0	0	0	8,796,014
Intergovernmental Charges	98,428	0	0	0	0	98,428
Use of Money and Property	360,544	0	0	0	0	360,544
Licenses and Permits	274,533	0	0	0	0	274,533
Fines and Forfeitures	878,896	0	0	0	0	878,896
Sale of Property and						
Compensation for Loss	3,882,918	0	0	0	0	3,882,918
Miscellaneous	138,901	0	0	0	0	138,901
Interfund Revenues	604,959	0	0	0	(604,959)	0
State and Federal Aid	1,848,348	0	0	0	0	1,848,348
Total Revenues	35,158,019	0	0	0	(604,959)	34,553,060
EXPENDITURES						
General Government Support	3,817,100	31,413	1,387,442	0	904,289	6,140,244
Public Safety	5,551,792	87,775	3,876,770	0	4,255,307	13,771,644
Health	369,697	0	0	0	0	369,697
Transportation	3,522,294	21,967	970,208	0	(743,712)	3,770,757
Economic Assistance and Opportunity	47,936	0	0	0	0	47,936
Culture and Recreation	431,034	3,239	143,043	0	165,332	742,648
Home and Community Service	10,783,869	27,226	1,202,475	0	(6,770)	12,006,800
Employee Benefits	5,943,748	2,817,330	0	0	(8,761,078)	0
Capital Outlay	0	0	(3,581,673)	0	3,581,673	0
Debt Service	3,327,012	(11,131)	0	(2,903,117)	0	412,764
Total Expenditures	33,794,482	2,977,819	3,998,264	(2,903,117)	(604,959)	37,262,490
Excess (Deficiency) of Revenues Over Expenditures	1,363,537	(2,977,819)	(3,998,264)	2,903,117	0	(2,709,430)
OTHER SOURCES AND USES:						
Operating Transfers In	7,854,868	0	0	0	(7,854,868)	0
Operating Transfers Out	(7,854,868)	0	0	0	7,854,868	0
Proceeds of Obligations	807,815	0	0	(807,815)	0	0
Total Other Sources	807,815	0	0	(807,815)	0	0
Net Changes for the Year	\$ 2,171,352	\$ (2,977,819)	\$ (3,998,264)	\$ 2,095,302	\$ 0	\$ (2,709,430)

See notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,349,660
Total Assets	<u>\$ 1,349,660</u>
 LIABILITIES	
Guaranty and Bid Deposits	\$ 376,372
Road Opening Deposits	29,452
Planning Escrow	135,121
Other Agency Liabilities	<u>808,715</u>
Total Liabilities	<u>\$ 1,349,660</u>

See notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of New Windsor have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Financial Reporting Entity

The Town of New Windsor was established in 1763, is governed by the Town Law, other general municipal laws of the State of New York, and various local laws. The Town Board is the legislative body responsible for the overall operation, the Town Supervisor serves as Chief Executive Officer and Chief Fiscal Officer.

The Town provides the following principal services: police protection, transportation (streets and highways), recreation, planning and zoning, general administration, public improvements, water and sewer and other home and community services.

All governmental activities and functions performed for the Town of New Windsor are its direct responsibility. No other governmental organization has been included or excluded from the reporting entity.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement #14, "The Financial Reporting Entity:"

1. The primary government which is the Town of New Windsor.
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entities general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement #14, including legal standing, fiscal dependency, and financial accountability.

Based on the application of the above criteria, no other entities are included in the reporting entity.

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Government activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. Fund Financial Statements

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major Governmental Funds, each displayed in a separate column. All remaining Governmental Funds are aggregated and reported as non-major funds.

Governmental funds are identified as general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

The Town of New Windsor reports the following Governmental Funds:

Major Funds

1. General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Debt Service Fund, which accounts for the Town's resources accumulated and payments made for principal and interest on long-term debt.
3. Capital Fund, which accounts for proceeds from long-term borrowing and other resources to be used for capital projects.
4. Special Revenue Funds

Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized.

- a. Highway Funds, used to record the transactions necessary to maintain Town roadways.
- b. Water Towns, used to record the transactions for the operation of the water Towns.
- c. Sewer Towns, used to record the transactions for the operation of the sewer Towns.

Non-Major Funds

1. Garbage Town Fund, used to account for the operation of the Town's garbage Town.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

2. Ambulance Town Fund, used to account for the operation of the Town's ambulance Town.

The Town reports the following fiduciary funds:

1. Agency Fund: Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

C. Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property Taxes

Real property taxes are levied annually no later than January 1, and become a lien on January 1. Taxes are collected during the period January 1 to March 31. Taxes for county purposes are levied together with taxes for Town and special Town purposes as a single bill. The towns and special Towns receive the full amount of their levies annually out of the first amounts collected on the combined bills. The county assumes enforcement responsibility for all taxes levied in the towns.

E. Budgetary Data

1. Budget Policies - The budget policies are as follows:

- a. No later than October 5, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than November 20, the Town Board adopts the budget.
- c. All modifications of the budget must be approved by the Town Board. However, the Town Supervisor is authorized to transfer certain budgeted amounts within departments.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from prior year.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

The Town of New Windsor's investment policies are governed by State statutes. In addition, the Town of New Windsor has its own written investment policy. Town of New Windsor's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The supervisor is authorized to use demand account and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

G. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

H. Due To/From Other Funds

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. A detailed description of the individual fund balances is provided subsequently in these notes.

I. Inventories and Prepaid Items

Purchases of inventoriable items are recorded as expenditures in the Government Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the Government-wide statements.

Prepaid items represent payments made by the Town for which benefits extend beyond year-end.

J. Capital Assets

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to January 2003, governmental funds' capital assets were accounted for in the general fixed assets account group. Currently, governmental units are required to account for all capital assets, including infrastructure in the government wide statements prospectively from the date of implementation of GASB 34.

Retroactive reporting of all major general infrastructure assets is encouraged but not required. Effective January 1, 2003, the Town elected to report all major general infrastructure assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20 - 50 Years
Machinery and Equipment	5 - 50 Years
Infrastructure	15 - 40 Years

K. Compensatory Absences

Employees covered by the CSEA union contract accrue sick leave at the rate of 15 days per year and may accumulate such time up to a total of 185 days. Employees who terminate with fewer than 5 years of service are not paid for any accumulated sick leave. Employees with from 5-9 years of service are paid for 50% of their accumulated sick time. Employees with 10 or more years of service are paid for 100% of their time. Employees hired prior to December 15, 1982 receive any of the previously described compensatory time at their current rate of pay.

Those employees hired subsequent to December 14, 1982 are paid at the rate at which the sick time was earned. Sick time is used on the F.I.F.O. basis.

Employees covered by the P.B.A. contract accrue sick leave at the rate of 15 days per year and may accumulate such time up to a total of 200 days. Employees who terminate with fewer than 10 full years of service receive no pay for accumulated sick time. Employees with 10 years or more of service receive 100% of their sick time at their current rate of pay.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Insurance

The Town assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

M. Health Care Post Retirement

The Town has a health care post retirement policy for police officers and C.S. employees. The Town shall pay 90% of the premium cost for individual health insurance coverage. If the retired employee elects to continue dependent family coverage, the Town shall pay 90% of the cost for individual health insurance cost plus 75% of the difference in premium cost between individual and dependent family coverage.

N. Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures.

O. Equity Classification

1. Government-wide Statements

In the government-wide statements there are three classes of net position:

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Equity Classification (Continued)

Restricted - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Town.

2. Funds Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation.

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. The Town did not classify any of its fund balances as committed as of December 31, 2013.

Assigned: Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose.

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Restricted Resources

When expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the Town's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Q. Interfund Transfers

The operations of the Town gives rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for inter-fund transfers have been eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these Notes.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives or long-lived assets.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the Government Funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the Town's Governmental Funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

The basic financial statements contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Fund Statements and Net Position reported on the Statement of Net Position. The differences are as follows:

- (1) The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Town as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 187,263,314
Accumulated Depreciation	(141,039,108)
Capital Assets, Net	<u>\$ 46,224,206</u>

- (2) Interest payable is recognized in the entity wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Interest Payable at December 31, 2013	<u>\$ 111,303</u>
---------------------------------------	-------------------

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

**NOTE II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL
FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)**

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:
(continued)**

- (3) Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds Payable	\$ 7,128,605
Installment Loans Payable	1,445,834
Other Postemployment Benefits	13,935,972
Compensated Absences	<u>1,824,364</u>
	<u>\$ 24,334,775</u>

**B. Explanation of Difference between Governmental Funds Operating Statement and the
Statement of Activities:**

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent these differences as follows:

- Long-term revenue differences arise because Governmental Funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because Governmental Funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the Government Fund Statements and the change in net position reported in the Statement of Activities.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (continued)

Explanation of Differences between Governmental Funds Operating Statement
And the Statement of Activities and Changes in Net Position

Total Revenues and Other Funding Sources:

Total revenues reported in governmental funds	\$ 35,158,019
---	---------------

In the governmental funds, intergovernmental charges and interfund revenues are recorded. However, for the entity wide statements, these revenues have been eliminated to minimize the double counting of internal transactions.

	<u>(604,959)</u>
--	------------------

Total revenues of governmental activities in the Statement of Activities	<u>\$ 34,553,060</u>
--	----------------------

Total Expenditures/Expenses:

Total expenditures reported in governmental funds	\$ 33,794,482
---	---------------

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences increased during the year by \$171,619. Other postemployment benefits earned exceeded the amount paid by \$2,817,330.

	2,988,949
--	-----------

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$3,581,673 was less then depreciation of \$7,579,937 in the current year.

	3,998,264
--	-----------

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (continued)

Explanation of Differences between Governmental Funds Operating Statement
And the Statement of Activities and Changes in Net Position (continued)

Total Expenditures/Expenses: (continued)

Interest payable is recognized in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable this year is less than the interest payable last year. (11,131)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities. (2,903,117)

In the governmental funds, intergovernmental charges and interfund revenues are recorded. However, for the entity wide statements, these revenues have been eliminated to minimize the double counting of internal transactions. (604,959)

Total Expenses of Governmental Activities \$ 37,262,490

NOTE III. DETAIL NOTES ON ALL FUNDS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

A. CASH

The Town of New Windsor's investment policies are governed by State statutes, as previously described in these Notes. The depository bank places approved pledged securities for safekeeping and trust with the Town's agent bank in an amount sufficient to protect Town funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

A. CASH (continued)

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name;
2. Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
3. Uncollateralized.

Total financial institution (bank) balances at December 31, 2013, per the bank, are categorized as follows:

	<u>1</u>	<u>2</u>	<u>3</u>
Governmental & Agency Funds	\$21,896,683	\$ 0	\$ 0

B. INTERFUND ACTIVITY

Interfund balances and activity for the year ended December 31, 2013, were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenue</u>	<u>Expenditure</u>
General Fund	\$ 0	\$ 0	\$ 350,691	\$ 1,556,559
Highway Fund	0	0	270,411	1,543,939
Water Fund	0	0	756,715	1,585,509
Sewer Fund	0	0	106,337	611,960
Capital Fund	1,622,891	4,664,981	3,043,702	2,421,706
Debt Service	4,664,981	1,622,891	3,327,012	0
Refuse Fund	0	0	0	135,195
Ambulance Fund	0	0	0	0
	<u>\$6,287,872</u>	<u>\$ 6,287,872</u>	<u>\$7,854,868</u>	<u>\$ 7,854,868</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2013, were as follows:

	Beginning Balance	Additions	Disposals and Reclassi- fications	Ending Balance
<u>Governmental Activities</u>				
Capital Assets that are not Depreciated:				
Land	\$ 4,397,691	\$ 0	\$ 0	\$ 4,397,691
Construction in Progress	336,915	0	(336,915)	0
Total Not Depreciated	<u>4,734,606</u>	<u>0</u>	<u>(336,915)</u>	<u>4,397,691</u>
Capital Assets that are being Depreciated:				
Buildings	33,123,614	1,163,187	(597,924)	33,688,877
Machinery and Equipment	10,170,424	948,209	0	11,118,633
Infrastructure	136,250,921	1,470,277	336,915	138,058,113
Total Depreciated	<u>179,544,959</u>	<u>3,581,673</u>	<u>(261,009)</u>	<u>182,865,623</u>
Less Accumulated Depreciation:				
Buildings	25,011,226	673,959	(597,924)	25,087,261
Machinery and Equipment	8,866,213	446,172	0	9,312,385
Infrastructure	100,179,656	6,459,806	0	106,639,462
Total Accumulated Depreciation	<u>134,057,095</u>	<u>7,579,937</u>	<u>(597,924)</u>	<u>141,039,108</u>
Total Historical Cost, Net	<u>\$ 50,222,470</u>	<u>\$ (3,998,264)</u>	<u>\$ 0</u>	<u>\$ 46,224,206</u>

Depreciation was charged to governmental functions as follows:

General Government Support	\$ 1,387,442
Public Safety	3,876,770
Transportation	970,208
Culture and Recreation	143,043
Home and Community Services	<u>1,202,475</u>
Total Depreciation Expense	<u>\$ 7,579,937</u>

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

D. LIABILITIES

1. Pension Plans

Plan Description

The Town of New Windsor participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. Chapter 126 adds Article 19 "Benefits Enhancements" of the New York State and Local Employees Retirement System. An Eligible Tier III or IV member with ten or more years of membership or ten years credited service will not be required to contribute to the Retirement System.

The Town of New Windsor is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2012	\$ 1,044,717	\$ 1,118,710
2011	824,681	918,340
2010	699,029	766,128

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

D. LIABILITIES (continued)

2. Short-Term Debt

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12-month period thereafter. For short-term financing, the Town of New Windsor redeems (pays down) one-fifth (1/5) of the original BAN borrowing.

State law requires that BAN's issued for capital purposes are converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. As of December 31, 2013 there were two outstanding BAN's for \$1,300,000.

Interest on short-term debt for the year was composed of:

Interest paid	\$ 0
Less interest accrued - prior year	0
Plus interest accrued - current year	<u>8,096</u>
Total Interest Expense	<u>\$ 8,096</u>

3. Long-Term Debt

Bonds and Installment Loans:

The Town of New Windsor borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers.

At December 31, 2013, the total principal indebtedness outstanding of the Town of New Windsor aggregated \$8,574,439.

Interest on long-term debt for the year was composed of:

Interest paid	\$ 423,895
Less interest accrued - prior year	(122,434)
Plus interest accrued - current year	<u>103,207</u>
Total Interest Expense	<u>\$ 404,668</u>

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

D. LIABILITIES (continued)

3. Long-Term Debt (continued)

Long-term liability balances and activity for the year are summarized below:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid/ Redeemed</u>	<u>Ending Balance</u>
Serial bonds	\$ 9,423,927	\$ 0	\$ 2,295,322	\$ 7,128,605
Installment Loans	1,245,814	807,815	607,795	1,445,834
Other liabilities:				
Other postemployment				
Benefits	11,118,642	2,817,330	0	13,935,972
Compensated absences	<u>1,652,745</u>	<u>171,619</u>	<u>0</u>	<u>1,824,364</u>
Total long-term liabilities	<u>\$ 23,441,128</u>	<u>\$ 3,796,764</u>	<u>\$2,903,117</u>	<u>\$24,334,775</u>

Activity for compensated absences is shown at net due the impracticability of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

The following is a summary of the maturity of long-term indebtedness:

<u>Year Ending Date</u>	<u>Principal</u>	<u>Interest</u>
2014	1,737,358	321,452
2015	1,329,417	247,274
2016	1,334,170	195,050
2017	1,769,086	147,170
2018	961,428	105,183
2019 - 2022	<u>1,442,980</u>	<u>122,646</u>
	<u>\$ 8,574,439</u>	<u>\$ 1,138,775</u>

4. Postemployment Benefits

The Town provides post employment health insurance coverage to retired employees and spouses (in the case of spousal coverage) in accordance with the provisions of various employment contracts.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

D. LIABILITIES (continued)

4. Postemployment Benefits (continued)

The Town implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the year ended December 31, 2008. This required the Town to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The Town recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended December 31, 2013, the Town recognized \$212,231 for its share of insurance premiums for currently enrolled retirees.

The Town has obtained an actuarial valuation report as of December 31, 2013 which indicates that the total liability for other post-employment benefits is \$22,463,732.

Plan Description: The healthcare plan (HP) is a single-employer defined benefit healthcare plan administered by the Town. The HP provides health insurance to eligible retirees and their spouses if the employee has twenty years of employment with the Town and retires from the Town with a pension from New York State Police and Fire Retirement System or the New York State Employees Retirement System.

Funding Policy: The contribution requirements of Plan members and the Town are established by the Town. The required contribution is based on projected pay-as-you-go financing requirements. For the 2013 year, the Town contributed \$212,231 to the plan, the total amount for current premiums. For retirees who were covered by CSEA Local 1000 AFSCME agreement, the Town pays 90% of the premium cost for individual health insurance coverage and the retired employees pays 10% of the premium cost of premium cost of individual health insurance coverage. If the retired employee elects to continue dependent family coverage, the Town pays the sum of 90% of the premium cost for individual health insurance coverage plus 75% of the difference in premium cost between individual and dependent family coverage. For retirees who were covered by the Patrolmen's Benevolent Association of New Windsor, New York, Inc. agreement, the Town pays 90% of the premium of the premium cost for individual health insurance coverage and the retired employees pays 10% of the premium cost of premium cost of individual health insurance coverage. If the retired employee elects to continue dependent family coverage, the Town pays the sum of 90% of the premium cost for individual health insurance coverage plus 85% of the difference in premium cost between individual and dependent family coverage.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

D. LIABILITIES (continued)

4. Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation: The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to HP:

Annual required contribution	\$2,766,380
Interest on net OPEB obligation	263,181
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	3,029,561
Contributions made	<u>(212,231)</u>
Increase in net OPEB obligation	2,817,330
Net OPEB obligation - beginning of year	<u>11,118,642</u>
Net OPEB obligation - end of year	<u>\$ 13,935,972</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Percentage of	
		Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 3,029,561	7.01%	\$ 2,817,330
12/31/2012	\$ 2,551,534	8.32%	\$ 2,339,303
12/31/2011	\$ 2,510,465	8.45%	\$ 2,298,234

Funded Status and Funding Progress: As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$22,463,732, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$22,463,732. The covered payroll (annual payroll of active employees covered by the plan) was \$9,817,178, and the ratio of the UAAL to the covered payroll was 228.82%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

D. LIABILITIES (continued)

4. Postemployment Benefits (continued)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made:

Mortality: Life expectancies were based on the 1994 sex distinct Group Annuity Mortality Table.

Discount Rate: 5% compounded annually.

Turnover: Terminations other than for death or retirement will occur in the future in accordance with The U.S. Office of Personnel Management regarding the experience of the employee group covered by the Federal Employees Retirement System.

Disability: No terminations of employment due to disability. Retirees resulting from disability were factored into our determination of age retirement.

Retirement Age: Active employees, on average, will receive their benefits when eligible but no earlier than age 55.

Spousal Coverage: Married employees will remain married through Medicare age.

Healthcare Cost Inflation: Healthcare gross costs will increase at an annual rate of 7% for Pre-Medicare medical benefits and 5% for Post-Medicare medical benefits.

Administration Expenses: Approximately 2% is included in the annual healthcare costs to administer the retiree claims.

Amortization Period: 30 years. The remaining amortization period at December 31, 2013 is 24 years.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE III. DETAIL NOTES ON ALL FUNDS (continued)

E. FUND BALANCE

Restricted:

The Town has the following reserves recorded on its books as of December 31, 2013:

Reserve for Bonded Debt	\$ <u>3,042,091</u>
-------------------------	---------------------

NOTE IV. COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; Workers' Compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There has been no reduction in insurance coverage from that in prior years.

B. CONTINGENCIES

Compliance with Grant Programs

The Town has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. Based on past audits, the Town administration believes disallowances, if any, will be immaterial.

NOTE V. PRIOR PERIOD ADJUSTMENT

The "Net Position – Beginning" has been restated as a result of a change in the beginning balance of Installment Loan – Water District #9 due to an error in the prior year. The adjustment is as follows:

<u>Statement of Activities</u>	
Net Position – December 31, 2012	\$ 43,870,831
Installment Loan Adjustment	<u>275,068</u>
Net Position – December 31, 2012 – Restated	<u>\$ 43,595,763</u>

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 6,664,936	\$ 6,664,936	\$ 6,664,936	\$ 0
Real Property Tax Items	31,000	31,000	35,501	4,501
Non-Property Tax Items	4,318,100	4,318,100	4,389,253	71,153
Departmental Income	700,200	700,200	876,931	176,731
Use of Money and Property	293,500	293,500	329,025	35,525
Licenses and Permits	99,800	99,800	274,533	174,733
Fines and Forfeitures	960,000	960,000	878,896	(81,104)
Sale of Property and Compensation for Loss	212,000	212,000	3,721,535	3,509,535
Miscellaneous	58,500	58,500	127,341	68,841
Interfund Revenues	340,000	340,000	464,309	124,309
State Aid	639,000	639,000	786,957	147,957
Federal Aid	33,200	33,200	56,236	23,036
Total Revenues	14,350,236	14,350,236	18,605,453	4,255,217
OTHER SOURCES				
Operating Transfers In	353,500	353,500	350,691	(2,809)
Total Revenues and Other Sources	<u>\$ 14,703,736</u>	<u>\$ 14,703,736</u>	<u>\$ 18,956,144</u>	<u>\$ 4,252,408</u>
EXPENDITURES				
General Government Support	\$ 3,516,501	\$ 3,587,400	3,817,100	\$ (229,700)
Public Safety	5,436,600	5,551,807	5,551,792	15
Transportation	287,400	299,068	299,068	0
Economic Assistance and Opportunity	61,800	47,938	47,936	2
Culture and Recreation	609,500	632,843	431,034	201,809
Home and Community Services	305,900	268,603	346,599	(77,996)
Employee Benefits	3,970,100	3,800,141	4,049,718	(249,577)
Total Expenditures	14,187,801	14,187,800	14,543,247	(355,447)
OTHER USES				
Operating Transfers Out	515,935	515,936	1,556,559	(1,040,623)
Total Expenditures and Other Uses	<u>\$ 14,703,736</u>	<u>\$ 14,703,736</u>	<u>\$ 16,099,806</u>	<u>\$ (1,396,070)</u>

See accompanying notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Adjusting Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 3,605,481	\$ 3,605,481	\$ 3,605,481	\$ 0
Intergovernmental Charges	14,000	14,000	13,957	(43)
Use of Money and Property	9,000	9,000	6,569	(2,431)
Sale of Property and Compensation for Loss	10,000	10,000	42,617	32,617
Interfund Revenues	60,000	60,000	140,650	80,650
Miscellaneous	100,000	100,000	5,680	(94,320)
State and Federal Aid	157,000	157,000	192,903	35,903
Total Revenues	3,955,481	3,955,481	4,007,857	52,376
OTHER SOURCES				
Operating Transfers In	21,400	21,400	270,411	249,011
Total Revenues and Other Sources	<u>\$ 3,976,881</u>	<u>\$ 3,976,881</u>	<u>\$ 4,278,268</u>	<u>\$ 301,387</u>
EXPENDITURES				
Transportation	\$ 2,098,600	\$ 2,114,930	2,415,411	\$ (300,481)
Employee Benefits	954,300	918,009	956,306	(38,297)
Total Expenditures	3,052,900	3,032,939	3,371,717	(338,778)
OTHER USES				
Operating Transfers Out	923,981	943,942	1,543,939	(599,997)
Total Expenditures and Other Uses	<u>\$ 3,976,881</u>	<u>\$ 3,976,881</u>	<u>\$ 4,915,656</u>	<u>\$ (938,775)</u>

See accompanying notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 1,217,160	\$ 1,217,160	\$ 1,217,160	\$ 0
Departmental Income	4,714,464	4,714,464	5,398,646	684,182
Use of Money and Property	0	0	3,691	3,691
Sale of Property and Compensation for Loss	0	0	18,046	18,046
Miscellaneous	1,571	1,571	3,423	1,852
State and Federal Aid	0	0	72,669	72,669
Total Revenues	5,933,195	5,933,195	6,713,635	780,440
OTHER SOURCES				
Operating Transfers In	1,307,270	1,307,270	756,715	(550,555)
Total Revenues and Other Sources	<u>\$ 7,240,465</u>	<u>\$ 7,240,465</u>	<u>\$ 7,470,350</u>	<u>\$ 229,885</u>
EXPENDITURES				
Home and Community Services	\$ 4,039,800	\$ 4,097,389	\$ 4,389,385	\$ (291,996)
Employee Benefits	428,600	407,546	418,399	(10,853)
Total Expenditures	4,468,400	4,504,935	4,807,784	(302,849)
OTHER USES				
Operating Transfers Out	2,772,065	2,735,530	1,585,509	1,150,021
Total Expenditures and Other Uses	<u>\$ 7,240,465</u>	<u>\$ 7,240,465</u>	<u>\$ 6,393,293</u>	<u>\$ 847,172</u>

See accompanying notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 221,273	\$ 221,273	\$ 221,273	\$ 0
Departmental Income	2,294,218	2,294,218	2,283,881	(10,337)
Intergovernmental Charges	56,000	56,000	84,469	28,469
Use of Money and Property	5,000	5,000	4,638	(362)
Sale of Property and Compensation for Loss	0	0	100,598	100,598
Miscellaneous	22,332	22,332	900	(21,432)
State and Federal Aid	0	0	371,215	371,215
Total Revenues	2,598,823	2,598,823	3,066,974	468,151
OTHER SOURCES				
Operating Transfers In	106,337	106,337	106,337	0
Total Revenues and Other Sources	<u>\$ 2,705,160</u>	<u>\$ 2,705,160</u>	<u>\$ 3,173,311</u>	<u>\$ 468,151</u>
EXPENDITURES				
Home and Community Services	\$ 2,347,005	\$ 2,347,005	\$ 2,391,610	\$ (44,605)
OTHER USES				
Operating Transfers Out	358,155	358,155	611,960	(253,805)
Total Expenditures and Other Uses	<u>\$ 2,705,160</u>	<u>\$ 2,705,160</u>	<u>\$ 3,003,570</u>	<u>\$ (298,410)</u>

See accompanying notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2013	\$0	\$ 22,463,732	\$ 22,463,732	0%	\$ 9,817,178	228.82%
12/31/2012	\$0	\$ 21,149,177	\$ 21,149,177	0%	\$ 9,468,334	223.37%
12/31/2011	\$0	\$ 19,745,778	\$ 19,745,778	0%	\$ 9,210,501	214.38%
12/31/2010	\$0	\$ 17,890,379	\$ 17,890,379	0%	\$ 9,555,811	187.22%
12/31/2009	\$0	\$ 16,438,299	\$ 16,438,299	0%	\$ 9,703,905	169.40%
12/31/2008	\$0	\$ 15,158,018	\$ 15,158,018	0%	\$ 9,142,739	165.79%

See accompanying notes to financial statements.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NON- MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
DECEMBER 31, 2013**

	Refuse and Garbage	Ambulance	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 837,684	\$ 205,512	\$ 1,043,196
Accounts Receivable, Net	54,619	0	54,619
Total Assets	<u>\$ 892,303</u>	<u>\$ 205,512</u>	<u>\$ 1,097,815</u>
LIABILITIES			
Accounts Payable	\$ 58,455	\$ 3,704	\$ 62,159
Due to Employees' Retirement System	92,484	0	92,484
Total Liabilities	<u>150,939</u>	<u>3,704</u>	<u>154,643</u>
FUND BALANCES			
Assigned	<u>741,364</u>	<u>201,808</u>	<u>943,172</u>
Total Fund Balances	<u>741,364</u>	<u>201,808</u>	<u>943,172</u>
Total Liabilities and Fund Balances	<u>\$ 892,303</u>	<u>\$ 205,512</u>	<u>\$ 1,097,815</u>

See accompanying notes to financial statements

TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Refuse and Garbage	Ambulance	Total Non-Major Governmental Funds
REVENUES			
Real Property Taxes	\$ 1,764,977	\$ 375,900	\$ 2,140,877
Departmental Income	236,556	0	236,556
Use of Money and Property	2,911	803	3,714
Sale of Property and Compensation for Loss	122	0	122
Miscellaneous	0	1,555	1,555
Total Revenues	<u>2,004,566</u>	<u>378,258</u>	<u>2,382,824</u>
EXPENDITURES			
Home and Community Service	1,515,148	0	1,515,148
Health	0	369,697	369,697
Employee Benefits	519,325	0	519,325
Total Expenditures	<u>2,034,473</u>	<u>369,697</u>	<u>2,404,170</u>
OTHER USES			
Operating Transfers Out	<u>135,195</u>	<u>0</u>	<u>135,195</u>
TOTAL EXPENDITURES AND OTHER USES	<u>2,169,668</u>	<u>369,697</u>	<u>2,539,365</u>
Net Change in Fund Balances	(165,102)	8,561	(156,541)
Fund Balances-Beginning	<u>906,466</u>	<u>193,247</u>	<u>1,099,713</u>
Fund Balances-Ending	<u>\$ 741,364</u>	<u>\$ 201,808</u>	<u>\$ 943,172</u>

See accompanying notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED DECEMBER 31, 2013**

Capital Assets, Net	\$ 46,224,206
---------------------	---------------

Deduct:

Bond Anticipation Notes Payable	\$ 1,300,000
---------------------------------	--------------

Short-Term Portion of Installment Loans	621,794
---	---------

Long-Term Portion of Installment Loans	824,040
--	---------

Short-Term Portion of Bonds Payable	1,115,564
-------------------------------------	-----------

Long-Term Portion of Bonds Payable	<u>6,013,041</u>
------------------------------------	------------------

	<u>9,874,439</u>
--	------------------

Investment in Capital Assets, Net of Related Debt	<u><u>\$ 36,349,767</u></u>
---	-----------------------------

See accompanying notes to financial statements

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Date of Original Issue	Maturity	Interest Rate	Outstanding Beginning of Year	Issued During Year	Paid During Year	Outstanding End of Year	Amount of Interest Paid During The Year	Amount of Interest Accrued at 12/31/2013
BOND ANTICIPATION									
NOTES									
St Anne's Well Rehab	01/15/13	01/15/14	0.55%	0	700,000	0	700,000	0	3,692
Highway Garage	04/04/13	01/15/14	1.00%	0	600,000	0	600,000	0	4,404
Total				0	1,300,000	0	1,300,000	0	8,096
SERIAL BONDS									
Special Revenue Funds									
Sewer District # 24	1994	2014	5.60%	90,000	0	45,000	45,000	3,780	684
Consolidated Water	1996	2016	5.25%	700,000	0	175,000	525,000	32,725	4,531
Water Districts	1998	2018	4.55%	1,350,000	0	225,000	1,125,000	62,438	18,792
Water Districts	1998	2018	0.00%	33,927	0	5,322	28,605	0	0
Highway	1999	2013	5.04%	800,000	0	800,000	0	96,000	0
Public Improvements	2001	2021	4.54%	3,200,000	0	325,000	2,875,000	153,063	38,263
Public Improvements	2004	2019	3.75%	2,050,000	0	320,000	1,730,000	22,620	24,350
Public Improvements	2008	2013	3.13%	200,000	0	200,000	0	3,250	0
EFC Water and Sewer	2012	2016	0.00%	1,000,000	0	200,000	800,000	0	0
Total				9,423,927	0	2,295,322	7,128,605	373,876	86,620
INSTALLMENT LOANS									
Highway Vehicle	2010	2018	3.14%	332,951	0	51,293	281,658	10,455	3,320
Water District #9	2010	2014	4.75%	642,043	0	313,574	328,469	30,497	5,856
Vehicles	2011	2018	2.87%	201,997	0	50,121	151,876	5,654	1,277
Phone System	2010	2014	4.50%	68,823	0	32,705	36,118	3,413	543
Various Equipment	2013	2016	1.21%	0	452,000	115,625	336,375	0	2,781
Heavy Duty Vehicles	2013	2020	1.81%	0	355,815	44,477	311,338	0	2,810
Total				1,245,814	807,815	607,795	1,445,834	50,019	16,587
Total Debt				\$ 10,669,741	\$ 2,107,815	\$ 2,903,117	\$ 9,874,439	\$ 423,895	\$ 111,303

See accompanying notes to financial statements



Nugent & Haeussler, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Members
of the Town Board
Town of New Windsor
New Windsor, New York

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA

Patrick M. Bullis, CPA
Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Maureen K. Lyon, CPA
Justin B. Wood, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of New Windsor, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise Town of New Windsor's basic financial statements and have issued our report thereon dated May 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of New Windsor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of New Windsor's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of New Windsor's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, identified as finding 2013-1.

To the Supervisor and Members
of the Town Board
Town of New Windsor

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of New Windsor's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nugent & Haeussler, P.C.

May 19, 2014



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA

Patrick M. Bullis, CPA
Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Maureen K. Lyon, CPA
Justin B. Wood, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Supervisor and Members
of the Town Board
Town of New Windsor
New Windsor, New York

Report on Compliance for Each Major Federal Program

We have audited Town of New Windsor's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of New Windsor's major federal programs for the year ended December 31, 2013. Town of New Windsor's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of New Windsor's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of New Windsor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of New Windsor's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of New Windsor, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Town of New Windsor, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of New Windsor's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of New Windsor's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nugent & Haeussler, P.C.

May 19, 2014

TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed-through County of Orange:			
Watershed Rehabilitation Program	10.916	N/A	\$ 142,500
Energy Efficient Community Block Grant	81.128	N/A	20,586
Total Passed-through County of Orange			163,086
TOTAL U.S. DEPARTMENT OF ENERGY			163,086
<u>DHSES (DIVISION OF HOMELAND SECURITY AND EMERGENCY SERVICES)</u>			
State and Local Homeland Security National Training	97.005	N/A	33,209
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4020	567,979
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			601,188
TOTAL FEDERAL AWARDS EXPENDED			\$ 764,274

The accompanying notes are an integral part of the schedule.

TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1. BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the Town, which is described in Note 1 to the Town's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The Town's policy is not to charge federal award programs with indirect costs.

Matching costs (the Town's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Town's financial reporting system.

NOTE 2. OTHER DISCLOSURES.

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the Town's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified that are
not considered to be material weaknesses

☒ Yes ☐ No

Noncompliance material to financial statements noted?

☐ Yes ☒ No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiencies identified that are not
considered to be material weaknesses

☐ Yes ☒ No

Type of Auditor's Report Issued on Compliance for
Major Programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Section 510(a) of
Circular A-133?

☐ Yes ☒ No

IDENTIFICATION OF MAJOR PROGRAMS:

CFDA NUMBERS NAME OF FEDERAL PROGRAM OR CLUSTER

97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

Finding 2013-1 Preparing Financial Statements and Disclosures

Condition: The auditor is currently making significant adjustments to properly record certain complex transactions and preparing the financial statements for external reporting purposes.

Criteria: The auditor cannot function as part of the Town's internal control system over financial reporting. The auditor's preparation of the financial statements and disclosures would not be reported as a significant deficiency if the Town had internal controls in place to prevent, detect, and correct a potential misstatement in the financial statements or notes.

Cause: Newly revised audit standards state that if the Town does not implement procedures to prevent, detect, or correct a potential misstatement in the financial statements or notes, this deficiency constitutes a significant deficiency in internal control. The Town relies on the external auditor to prepare the financial statements and related disclosures, and to assist with properly recording certain transactions.

Effect: The financial statements could have been significantly misstated without audit adjustment.

Recommendation: Although the independent auditor cannot be a part of the Town's internal control, relying on the auditor to assist with preparation of the Town's financial statements and help guide management through complex accounting standards is acceptable under current prescribed standards.

Management has not completed a response to the above findings as of the date of this report. Government Auditing Standards requires management's responses and planned corrective action to be included in this report.

**TOWN OF NEW WINDSOR
NEW WINDSOR, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

SECTION III - FEDERAL AWARD FINDINGS

A. Significant Deficiencies in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with Section 510(a) of Circular A-133.

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Section 510(a) of Circular A-133.